

## BUILDING BACK BETTER

Under the President's leadership, America is getting back on track. We have begun turning the tide on the pandemic. Our economy is growing and creating jobs. Students are getting back into classrooms. And we have shown yet again there is no quit in America. But our work has only begun.

For all of the hard-won progress our Nation has made in recent months, we cannot afford to simply return to the way things were before the pandemic and economic downturn, with the old economy's structural weaknesses and inequities still in place. We must seize this moment to reimagine and rebuild a new American economy—an economy that invests in the promise and potential of every single American; that leaves no one out and no one behind; and that makes it easier for families to break into the middle class and stay in the middle class.

The Budget details the President's proposals to advance that agenda this year. It includes the two historic plans the President has already put forward—the American Jobs Plan and the American Families Plan—and outlines a package of discretionary proposals to help restore core functions of Government and reinvest in the foundations of the Nation's strength. It also calls on the Congress to reduce prescription drug costs and expand and improve health coverage. Enacting the Budget policies into law this year would strengthen our Nation's economy and lay the foundation for shared prosperity, while also putting the Nation on a sound fiscal course. Importantly, even as the Administration pursues this historic agenda, the President also believes that there will be more to accomplish in

the coming years. This year's Budget gives a full accounting of the first, critical steps our Nation must take to begin the work of building back better.

### *The American Jobs Plan*

The Budget begins with the American Jobs Plan—an investment in America that would create millions of good jobs, rebuild the Nation's infrastructure, and position the United States to out-compete China. Public domestic investment as a share of the economy has fallen by more than 40 percent since the 1960s. The American Jobs Plan would invest in America in a way that has not occurred since the interstate highways were built and the Space Race was won.

The United States is the wealthiest Nation in the world, yet ranks 13<sup>th</sup> when it comes to the overall quality of the Nation's infrastructure. After decades of disinvestment, America's roads, bridges, and water systems are crumbling. The electric grid is vulnerable to catastrophic outages. Too many lack access to affordable, high-speed internet and to quality housing. The past year has led to job losses and threatened economic security, eroding more than 30 years of progress in women's labor force participation. It has unmasked the fragility of America's caregiving infrastructure. In addition, the Nation is falling behind its biggest competitors in research and development (R&D), manufacturing, and training. It has never been more important to invest in strengthening the Nation's infrastructure and competitiveness, and in creating the good-paying, union jobs of the future.

As with great projects of the past, the President's plan would unify and mobilize the Nation to meet the great challenges of our time: the climate crisis and the ambitions of an autocratic China. It would invest in Americans and deliver the jobs and opportunities they deserve. Unlike past major investments, the plan prioritizes addressing long-standing and persistent racial injustice. The plan targets 40 percent of the benefits of climate and clean infrastructure investments to disadvantaged communities. In addition, the plan invests in rural communities and communities impacted by the market-based transition to clean energy. Specifically, the President's plan:

**Fixes Highways, Rebuilds Bridges, and Upgrades Ports, Airports, and Transit Systems.** The President's plan would: modernize 20,000 miles of highways, roads, and main-streets; fix the 10 most economically significant bridges in the Nation in need of reconstruction; repair the worst 10,000 smaller bridges, providing critical linkages to communities; replace thousands of buses and rail cars; repair hundreds of stations; renew airports; modernize ports of entry; and expand transit and rail into new communities.

**Delivers Clean Drinking Water, a Renewed Electric Grid, and High-Speed Broadband to All Americans.** The President's plan would eliminate all lead pipes and service lines in drinking water systems, improving the health of the Nation's children and communities of color. It would put hundreds of thousands of people to work laying thousands of miles of transmission lines and capping hundreds of thousands of orphan oil and gas wells and abandoned mines. It would also bring affordable, reliable, high-speed broadband to every household, including the more than 35 percent of rural families who lack access to broadband infrastructure, the millions of families paying too much for broadband, and the millions of low-income and marginalized communities left behind by digital redlining and the digital divide.

**Builds, Preserves, and Retrofits More than Two Million Homes and Commercial Buildings, Modernizes the Nation's Schools and Child Care Facilities, and Upgrades Veterans' Hospitals and Federal Buildings.** The President's plan would create good jobs by building, rehabilitating, and retrofitting affordable, accessible, energy efficient, and resilient housing, commercial buildings, schools, and child care facilities all over the Nation while also vastly improving the Nation's Federal facilities, especially those that serve veterans.

**Solidifies the Infrastructure of America's Care Economy by Creating Jobs and Raising Wages and Benefits for Essential Home Care Workers.** These workers—the majority of whom are women of color—have been underpaid and undervalued for too long. The President's plan makes substantial investments in the infrastructure of America's care economy, starting by creating new and better jobs for caregiving workers. It would provide home and community-based care for individuals who otherwise would need to wait as many as five years to get the services they badly need. The President also looks forward to working with the Congress on other policies to improve economic security and access to health-care for seniors and people with disabilities.

**Revitalizes Manufacturing, Secures U.S. Supply Chains, Invests in R&D, and Trains Americans for the Jobs of the Future.** The President's plan would ensure that the best, diverse minds in America are put to work creating the innovations of the future while creating hundreds of thousands of quality jobs today. American workers would build and make things in every part of the Nation, and they would be trained for well-paying, middle-class jobs using evidence-based approaches such as sector-based training and registered apprenticeships.

**Creates Good-Quality Jobs that Pay Prevailing Wages in Safe and Healthy Workplaces while Ensuring Workers Have a Free and Fair Choice to Organize, Join a**

**Union, and Bargain Collectively with Their Employers.** To ensure that American taxpayers' dollars benefit working families and their communities, and not multinational corporations or foreign governments, the plan requires that goods and materials are made in America and shipped on U.S.-flag, U.S.-crewed vessels. The plan also would ensure that Americans, especially those who have endured systemic discrimination and exclusion for generations, finally have a fair shot at obtaining good-paying jobs with: a choice to join a union; higher and equal pay; safe and healthy workplaces; and workplaces free from racial, gender, and other forms of discrimination and harassment.

**Restructures the Corporate Tax Code to Ensure that Wealthy Corporations Pay Their Fair Share and Invest Here at Home.** Alongside the American Jobs Plan, the President has put forward a Made in America tax plan that would reward investment at home, stop profit shifting, and ensure other nations would not gain a competitive edge by becoming tax havens. The key components of the Made in America tax plan include a 28-percent corporate tax rate and a global minimum tax alongside a strong incentive for other countries to enact reasonable minimum taxes as well. The plan also includes measures to prevent corporate inversions and offshoring, as well as a new minimum tax on corporate book income to ensure that massive, profitable companies can no longer get away with paying no Federal income tax. In addition, the plan also eliminates tax preferences for fossil fuels. This is a generational opportunity to fundamentally shift how countries around the world tax corporations so that big corporations cannot escape or eliminate the taxes they owe by offshoring jobs and profits.

### ***The American Families Plan***

To complement the American Jobs Plan and help extend the benefits of economic growth to all Americans, the Budget also includes the American Families Plan—a historic investment to: help families cover the basic expenses that so many struggle with now; lower health insurance

premiums; and continue the historic reductions in child poverty in the American Rescue Plan Act of 2021 (American Rescue Plan). Together, these plans reinvest in the future of the American economy and American workers and would help the Nation out-compete China and other countries around the world. Specifically, the President's American Families Plan:

**Adds at Least Four Years of Free Education.** Investing in education is a down payment on the future of America. As access to high school became more widely available at the turn of the 20<sup>th</sup> Century, it made America the best-educated and best-prepared Nation in the world. Yet, everyone knows that 12 years is not enough today. The American Families Plan would make transformational investments from early childhood to postsecondary education so that all children and young people are able to grow, learn, and gain the skills they need to succeed. It would provide universal access to high-quality preschool to all three- and four-year-olds, led by a well-trained and well-compensated workforce. It would provide Americans two years of free community college. It would invest in making college more affordable for low- and middle-income students, including students at Historically Black Colleges and Universities (HBCUs), Tribal Colleges and Universities (TCUs), and Minority-Serving Institutions (MSIs) such as Hispanic-Serving Institutions (HSIs) and Asian American and Native American Pacific Islander-Serving Institutions. It would also invest in America's teachers and students, improving teacher training and support so that schools become engines of growth at every level.

**Provides Direct Support to Children and Families.** The Nation is strongest when everyone has the opportunity to join the workforce and contribute to the economy. However, many workers struggle to both hold a full-time job and care for themselves and their families. The American Families Plan would provide direct support to families to ensure that low- and middle-income families spend no more than seven percent of their income on child care, and that the child care they access is of high-quality and provided by a

well-trained and well-compensated child care workforce. It would also provide direct support to workers and families by creating a national comprehensive paid family and medical leave program that would bring the American system in line with competitor nations that offer paid leave programs. A comprehensive paid family and medical leave program would allow workers to take the time they need to bond with a new child, to care for their own serious illness, and to care for a seriously ill loved one. The system would also allow people to manage their health and the health of their families. The plan would also make investments to improve maternal health and provide critical nutrition assistance to families who need it most and expand access to healthy meals to the Nation's students—dramatically reducing childhood hunger.

**Extends Tax Cuts for Families with Children and American Workers.** While the American Rescue Plan provided critical help to hundreds of millions of Americans, too many families and workers feel the squeeze of too-low wages and the high costs of meeting their basic needs and aspirations. At the same time, the wealthiest Americans continue to get further and further ahead. The American Families Plan would extend key tax cuts in the American Rescue Plan that benefit lower- and middle-income workers and families, including the expansions of the Child Tax Credit, the Earned Income Tax Credit, and the Child and Dependent Care Tax Credit. In addition to making it easier for families to make ends meet, tax credits for working families have been shown to boost child academic and economic performance over time. The American Families Plan would also extend the expanded health insurance tax credits in the American Rescue Plan. These credits are providing premium relief that is lowering health insurance costs by an average of \$50 per person per month for more than nine million people, and would enable millions of uninsured people to gain coverage.

Leading economic research has shown that the investments proposed in the American Families Plan would yield significant economic returns—boosting productivity and economic growth,

producing a larger, more productive, and healthier workforce on a sustained basis, and generating savings to States and the Federal Government. A recent review indicates that every dollar invested in early childhood programs resulted in an estimated range of \$2.50 to \$10.80 in benefits as children grew up healthier, were more likely to graduate high school and college, and earned more as adults. A 2020 study by Nobel Laureate James Heckman found that every dollar invested in a high-quality, birth until age five program for the most economically disadvantaged children resulted in \$7.30 in benefits. Paid leave has been shown to keep mothers in the workforce, increasing labor force participation and boosting economic growth. In addition, sustained tax credits for families with children have been found to yield a lifetime of benefits, ranging from higher educational attainment to higher lifetime earnings.

**Supports Tax Reform that Rewards Work—Not Wealth.** The American Families Plan also includes commonsense reforms to the income tax code that would rebalance the tax system away from special preferences for wealth and toward fair treatment regardless of the type of income. The President's tax agenda would not only reverse some of the biggest 2017 tax law giveaways, but would reform the tax code so that the wealthy have to play by the same rules as everyone else. It would ensure that high-income Americans pay the tax they owe under the law—ending the unfair system of enforcement that collects almost all taxes due on wages, while regularly collecting a smaller share of business and capital income. The plan would also eliminate long-standing loopholes, including lower taxes on capital gains and dividends for the wealthy, which reward wealth over work. Importantly, these reforms would also rein in the ways that the tax code widens racial disparities in income and wealth.

### ***Reinvesting in the Foundations of the Nation's Strength***

The American Jobs Plan and the American Families Plan represent once-in-a-generation investments in the Nation's future that would create jobs, grow the middle class, and expand the



benefits of economic growth to all Americans. To truly build back better, the Nation must also begin to reinvest in core functions of Government and the foundations of the Nation's strength—and that is exactly what the Budget does.

Over the past decade, due in large measure to overly restrictive budget caps, the Nation significantly underinvested in crucial public services, benefits, and protections. Since 2010, non-defense discretionary funding has shrunk significantly as a share of the economy.

The consequences of this broad disinvestment are plain to see. Anticipating, preparing for, and fighting a global pandemic requires a robust public health infrastructure. Yet, going into the COVID-19 pandemic, funding for the Centers for Disease Control and Prevention (CDC) was 10 percent lower than a decade ago, adjusted for inflation. Creating an economy that works for everyone—including rural, urban, and tribal communities—requires investments in working families who drive growth and prosperity. However, the Government has chronically underinvested in crucial programs such as Head Start, which serves 95,000 fewer children today than it did a decade ago. Responding to the climate crisis

depends on helping communities transition to a cleaner future. Instead of investing in climate science and technology at the Environmental Protection Agency (EPA), funding has been reduced by 27 percent since 2010, adjusted for inflation.

The President believes now is the time to begin reversing this trend—and the expiration of nearly a decade of budget caps presents a unique opportunity to do so. That is why the Budget includes targeted discretionary investments across a range of key areas—from improving America's public health infrastructure and improving education, to tackling the climate crisis and fostering economic growth and security, to restoring America's global standing and confronting 21<sup>st</sup> Century security challenges.

Overall, the Budget would restore non-defense discretionary funding to 3.3 percent of Gross Domestic Product, roughly equal to the historical average over the last 30 years, while providing robust funding for national defense as well as for other instruments of national power—including diplomacy, development, and economic statecraft—that enhance the effectiveness of national defense spending and promote national security.

## EXPANDING OPPORTUNITY

The American Jobs Plan and the American Families Plan would boost worker productivity, invest in American ingenuity, create good-paying jobs, and provide real opportunity and security for millions of families. Those plans are complemented by the Budget's additional foundational investments. Together, this suite of policies would contribute to a stronger, more inclusive economy over the long term by: advancing economic dignity, equity, and security for all Americans; expanding opportunity; and creating good-paying jobs.

### *Improving Education*

**Makes Historic Investments in High-Poverty Schools.** Addressing entrenched disparities

in education is both a moral and economic imperative. That is why the Budget proposes a historic \$36.5 billion investment in Title I grants, a \$20 billion increase from the 2021 enacted level. This investment would provide under-resourced schools with the funding needed to deliver a high-quality education to all of their students by ensuring teachers at Title I schools are paid competitively, providing equitable access to a rigorous curriculum, increasing access to preschool, and providing meaningful incentives for States to examine and address inequalities in school funding systems.

**Expands Access to Affordable Early Child Care and Learning.** To lay the foundation for

the major long-term investments in the American Families Plan, the Budget includes \$7.4 billion for the Child Care and Development Block Grant, an increase of \$1.5 billion from the 2021 enacted level, to expand access to quality, affordable child care for families across the Nation, as well as an \$11.9 billion investment in Head Start, a \$1.2 billion increase, which would ensure more children start kindergarten ready to learn on day one. The Administration would also work with States to ensure that these resources support increased wages for early educators and family child care providers, the majority of whom are women of color.

**Boosts Support for Children with Disabilities.** To ensure that children with disabilities have the opportunity to thrive, the Budget includes \$16 billion, a \$2.7 billion increase from the 2021 enacted level, for Individuals with Disabilities Education Act (IDEA) grants that would support special education and related services for more than 7.6 million preschool through grade 12 students. This is a significant first step toward fully funding IDEA. The Budget also provides \$732 million for early intervention services for infants and toddlers with disabilities or delays, funding services that have a proven record of improving academic and developmental outcomes. The \$250 million increase for early intervention services would be paired with reforms to expand access to these services for underserved children, including children of color and children from low-income families.

**Prioritizes the Physical and Mental Well-Being of Students.** Recognizing the profound effect of physical and mental health on academic achievement, the Budget provides \$1 billion in addition to the resources in the American Rescue Plan, to increase the number of counselors, nurses, and mental health professionals in schools. In addition, the Budget provides \$443 million for Full Service Community Schools, which play a critical role in providing comprehensive wrap-around services to students and their families, from afterschool programs, to adult education opportunities, to health and nutrition services.

**Increases Pell Grants and Expands Institutional and Student Supports.** The Budget provides discretionary funding to increase the maximum Pell Grant by \$400—the largest one-time increase since 2009. This increase, together with the \$1,475 Pell Grant increase in the American Families Plan, represents a significant first step to deliver on the President’s goal to double the grant. The Budget also increases discretionary funding, and provides funding first proposed under the American Families Plan, to expand institutional and student supports at community colleges, HBCUs, TCUs, and MSIs. The Administration also looks forward to working with the Congress on changes to the Higher Education Act of 1965 that ease the burden of student debt, including through improvements to the Income Driven Repayment and Public Service Loan Forgiveness programs.

### *Advancing Dignity, Equity, and Security*

**Expands Opportunities for Minority-Owned Businesses.** To help address longstanding racial inequity and eliminate barriers for minority-owned firms, the Budget includes \$70 million, an increase of \$22 million, to fund investments in economic development grants and research to ensure policies effectively support the minority business community. In addition, the Budget provides \$330 million, an increase of 22.2 percent above the 2021 enacted level, to support expanding the role of Community Development Financial Institutions (CDFIs), which offer loans to start-ups and small businesses to promote the production of affordable housing and community revitalization projects. This investment builds on an unprecedented level of support for the CDFI industry in 2021, including more than \$3 billion in direct funding, \$9 billion for investments in depository and credit union CDFIs and Minority Depository Institutions, and provisions in the American Rescue Plan encouraging CDFI participation in the \$10 billion State Small Business Credit Initiative.

**Increases Rural Outreach and Connectivity.** The Budget provides \$32 million for a renewed and expanded initiative, StrikeForce, to

help people in high poverty rural communities tap into Federal resources. The Budget also provides an increase of \$65 million from the 2021 enacted level for the Rural e-Connectivity Program “Reconnect” for rural broadband. The Budget also includes \$318 million for regional commissions, which provide economic development assistance in distressed, rural communities through infrastructure investments, workforce development, and other activities.

**Spurs Infrastructure Modernization and Rehabilitation in Marginalized Communities.** The Budget provides \$3.8 billion for the Community Development Block Grant program, which includes a targeted increase of \$295 million for the modernization and rehabilitation of public infrastructure and facilities, such as recreational centers and commercial corridor improvements, in historically underfunded and marginalized communities facing persistent poverty.

**Supports Transportation Equity.** The Budget includes significant funding for major discretionary competitive grant programs, including Rebuilding American Infrastructure with Sustainability and Equity transit Capital Investment Grants, and Port Infrastructure Development grants. In addition, the Budget invests in rail as a down-payment to the President’s commitment to passenger rail. The Budget also proposes \$110 million for a new Thriving Communities initiative, which would foster transportation equity by providing capacity building grants to underserved communities. These programs would ensure that more communities have cleaner, robust, and affordable transportation options, including high-quality transit, equitable transit-oriented development, and other enhancements to improve neighborhood quality of life and address climate change.

**Ensures Workers’ Health, Safety, and Rights Are Protected.** The Budget provides increased funding to the worker protection agencies in the Department of Labor to ensure workers are treated with dignity and respect in the workplace.

The Administration is also committed to ending the abusive practice of misclassifying employees as independent contractors, which deprives these workers of critical protections and benefits. In addition to including funding in the Budget for stronger enforcement, the Administration intends to work with the Congress to develop comprehensive legislation to strengthen and extend protections against misclassification across appropriate Federal statutes.

**Strengthens the Unemployment Insurance System.** The COVID-19 pandemic triggered an economic crisis that has left millions of Americans relying on unemployment insurance and exposed major flaws and gaps in how the system is administered. To correct for these weaknesses and address chronic delays, the Budget includes significant support to modernize and improve States’ administration of the program and to help unemployed workers return to work, building on investments included in the American Rescue Plan and setting the stage for broad changes to modernize the program. This includes reforming the unemployment insurance system so it provides adequate benefits in every State, automatically responds to downturns, reflects the modern economy and labor force, uses more equitable and progressive financing mechanisms, and provides expanded reemployment services. Reform must also ensure that unemployment insurance benefits are both more accessible and less vulnerable to fraud, including from sophisticated criminal rings.

**Advances Equity in Child Welfare.** The Budget proposes \$100 million in new competitive grants to advance racial equity in the child welfare system and reduce unnecessary child removals. The Budget also increases funding for State and local child abuse prevention programs by over 30 percent compared to the 2021 enacted level. The Administration is also interested in working with the Congress to enact further child welfare reforms that advance equity, improve children’s well-being, and ensure all children, birth families, and prospective kinship, foster, and adoptive parents are served equitably and with dignity.

## ***Expanding Housing Opportunity and Reducing the Racial Wealth Gap***

**Extends Housing Vouchers to 200,000 More Families.** At a time when millions of families are struggling to pay their rent or mortgage, the Budget proposes to provide \$30.4 billion for Housing Choice Vouchers, expanding vital housing assistance to 200,000 more families with a focus on those who are homeless or fleeing domestic violence. The President looks forward to working with the Congress to build on this investment and achieve the long-term goal of providing housing vouchers to all eligible households, while increasing the program's impact on equity and poverty alleviation.

**Accelerates Efforts to End Homelessness.** The Budget builds on important provisions included in the American Rescue Plan by providing a \$500 million increase for Homeless Assistance Grants to support more than 100,000 households—including survivors of domestic violence and homeless youth, helping prevent and reduce homelessness.

**Enhances Household Mobility and Neighborhood Choice.** In addition to expanding the Housing Choice Voucher program to serve 200,000 more families, the Budget includes funding for mobility-related supportive services to provide low-income families who live in concentrated areas of poverty with greater options to move to higher-opportunity neighborhoods.

**Supports Access to Homeownership and Pandemic Relief.** The Budget supports access to homeownership for underserved borrowers through the Federal Housing Administration's (FHA) mortgage insurance programs. FHA is a crucial source of mortgage financing for first-time and minority homebuyers, who accounted for 83 percent and 37 percent, respectively, of FHA home purchase loans in 2020. In addition, through its expanded and streamlined loss mitigation program, FHA continues to provide urgent relief to homeowners suffering financially due to the COVID-19 pandemic.

**Invests in Affordable Housing in Tribal Communities.** Native Americans are seven times more likely to live in overcrowded conditions and five times more likely to have plumbing, kitchen, or heating problems than all U.S. households. The Budget helps address the poor housing conditions in tribal areas by providing \$900 million to fund tribal efforts to expand affordable housing, improve housing conditions and infrastructure, and increase economic opportunities for low-income families.

## ***Creating Jobs and Growth—Now and for the Future***

**Supports a Future Made in America.** The President is committed to ensuring the future is made in America by all of America's workers. The American Jobs Plan proposes transformative new funding for manufacturing programs at the National Institute of Standards and Technology (NIST), and the Budget complements those investments with additional discretionary funding, enabling the establishment of two new Manufacturing Innovation Institutes, in addition to institutes previously launched by the Departments of Defense (DOD) and Energy (DOE). The Budget also nearly doubles funding for the Manufacturing Extension Partnership to boost the competitiveness of small and medium manufacturers.

**Renews America's Commitment to R&D.** The Budget proposes historic increases in funding for foundational R&D across a range of scientific agencies—including the National Science Foundation (NSF), the National Aeronautics and Space Administration (NASA), DOE, NIST, and others—to help spur innovation across the economy and renew America's global leadership. These investments would: accelerate discoveries that would transform America's understanding of the solar system and universe; launch the next generation of satellites to study and improve life on Earth; and support upgrades to cutting-edge scientific user facilities at DOE national laboratories to build climate and clean energy research programs and train the next generation of scientists at HBCUs and MSIs. This funding, combined



with the investments proposed as part of the American Jobs Plan, would firmly reestablish the United States as a global leader in R&D.

### ***Committing to Criminal Justice Reform and Redressing Longstanding Injustice***

**Reforms the Federal Criminal Justice System.** The Budget supports key investments in First Step Act of 2018 (FSA) implementation, advancing the provision of high-quality substance use disorder treatment, reentry services, and recidivism reduction programming. Building on the bipartisan FSA, the Budget also incorporates savings from prison population reduction measures that prioritize incarceration alternatives for low-risk offenders.

**Invests in Community Policing, Police Reform, and Other Efforts to Address Systemic Inequities.** The Administration will take bold action to root out systemic inequities in the Nation's justice system. In addition to investing in programs that support community-oriented policing and practices, the Budget also proposes to expand grants that support efforts to reform State and local criminal justice systems, including funding to support juvenile justice programs, drug courts and alternative court programs, public defenders, and Second Chance Act of 2007 programs.

**Invests in Civil Rights Offices across Government.** The Budget supports significant increases for civil rights offices and activities across Federal agencies to ensure that the Nation's laws are enforced fairly and equitably.

### **Promotes State and Local Efforts to Prevent and Redress Housing Discrimination.**

The Budget provides \$85 million in grants to support State and local fair housing enforcement organizations and to further education, outreach, and training on rights and responsibilities under Federal fair housing laws. The Budget also invests in the Department of Housing and Urban Development (HUD) staff and operations capacity to deliver on the President's housing priorities, including commitments outlined in the Presidential Memorandum on Redressing Our Nation's and the Federal Government's History of Discriminatory Housing Practices and Policies.

### **Makes Major Investments in Environmental Justice.**

For decades, low-income and marginalized communities have been overburdened with air pollution and other environmental hazards. The Budget includes a 44-percent increase in funding for EPA's Brownfields program, which would enable States to clean up contaminated properties and assist them in turning idle properties into hubs for economic revitalization. The Budget provides \$400 million for HUD's Lead Hazard and Healthy Homes grants, which enable State and local governments and nonprofits to reduce lead-based paint and other health hazards in the homes of low-income families with young children. The Budget provides \$5 million to the Department of Justice (DOJ) to allow the Environment and Natural Resources Division to increase affirmative casework related to environmental justice.

## **INVESTING IN PUBLIC HEALTH INFRASTRUCTURE**

The United States faces no more urgent task than defeating the COVID-19 pandemic. That is why the American Rescue Plan included vital funding to set up community vaccination sites nationwide, scale up testing and tracing, reduce supply shortage problems, support community health centers, address health disparities, and safely

reopen schools. The Budget builds on this foundation by proposing investments to build a healthier, more resilient Nation over the long term, including funding to ensure the Nation is better positioned to prevent and respond to future public health crises, help defeat other diseases and epidemics, and invest in cutting-edge medical research.

### ***Strengthening Public Health Infrastructure and Meeting Crisis-Related Needs***

**Improves Readiness for Future Public Health Crises.** The Budget includes \$8.7 billion in discretionary funding for CDC—the largest budget authority increase in nearly two decades—to restore capacity at the world’s preeminent public health agency. Building on the investments in the American Rescue Plan, CDC would use this additional funding to support core public health capacity improvements in States and Territories, modernize public health data collection nationwide, train new epidemiologists and other public health experts, and rebuild international capacity to detect, prepare for, and respond to emerging global threats.

**Expands Access to Mental Healthcare.** The COVID-19 pandemic has helped expose the strain on the Nation’s mental healthcare system and the need for additional sustained resources. The Budget builds on mental health resources included in the American Rescue Plan by: calling for historic investments, including \$1.6 billion, more than double the 2021 enacted level, for the Community Mental Health Services Block Grant; additional funding to support the needs of those who are involved in the criminal justice system; resources to partner mental health providers with law enforcement; and funds to expand suicide prevention activities.

**Invests in Efforts to End Gender-Based Violence.** The COVID-19 pandemic has exacerbated domestic violence and sexual assault and has compounded the barriers to safety and economic security, creating a “shadow pandemic” for many women and girls who are largely confined to their home with their abuser. To help address this growing crisis, the Budget provides \$1 billion for DOJ Violence Against Women Act of 1994 programs, nearly double the 2021 level, including funding for new programs to expand restorative justice efforts, protect transgender survivors, and support women at HBCUs, HSIs, and TCUs to ensure these institutions have the same resources as other schools to address this pervasive issue.

The Budget also provides a significant increase in funding at the Department of Health and Human Services (HHS) for domestic violence shelters and community-based programs, hotlines, cash assistance for survivors, medical support, and integrated healthcare services. The Administration also looks forward to working with the Congress to expand the new cash assistance program for survivors of domestic violence by providing additional resources beyond 2022.

**Promotes Health Equity for American Indians and Alaska Natives.** To begin redressing long-standing, stark health inequities experienced by American Indians and Alaska Natives, the Budget proposes to dramatically increase funding for the Indian Health Service (IHS) by \$2.2 billion. In addition, to ensure a more predictable funding stream for IHS, the Budget for the first time includes an advance appropriation for IHS in 2023.

**Addresses Racial Disparities in Healthcare.** Building on efforts in the American Rescue Plan to advance equity and reduce health disparities in all healthcare programs, the Budget includes additional funding to expand access to culturally competent care. The Budget also includes \$153 million for CDC’s Social Determinants of Health program to support States and Territories in improving health equity and data collection for racial and ethnic populations. The Administration also looks forward to working with the Congress to advance the President’s goal of doubling the Federal investment in community health centers, which would help reduce health disparities by expanding access to care.

**Reduces Maternal Mortality Rate and Ends Race-Based Disparities in Maternal Mortality.** The United States has the highest maternal mortality rate among developed nations, with an unacceptably high mortality rate for Black, American Indian/Alaska Native, and other women of color. To help end this high rate of maternal mortality and race-based disparities in outcomes among birthing people—and in addition to the investment in maternal health included in the American Families Plan—the

Budget includes more than \$200 million to: reduce maternal mortality and morbidity rates nationwide; bolster Maternal Mortality Review Committees; expand the Rural Maternity and Obstetrics Management Strategies program; help cities place early childhood development experts in pediatrician offices with a high percentage of Medicaid and Children's Health Insurance Program patients; implement implicit bias training for healthcare providers; and create State pregnancy medical home programs.

### ***Defeating Other Diseases and Epidemics***

**Launches Advanced Research Projects Agency for Health (ARPA-H).** The Budget includes a major investment of \$6.5 billion to launch ARPA-H, which would provide significant increases in direct Federal R&D spending in health. With an initial focus on cancer and other diseases such as diabetes and Alzheimer's, this major investment in Federal R&D would drive transformational innovation in health research and speed application and implementation of health breakthroughs. This funding is part of a \$51 billion request for the National Institutes of Health (NIH) to continue to support research that enhances health, lengthens life, and reduces illness and disability.

**Makes a Major Investment to Help End the Opioid Epidemic.** The opioid epidemic has shattered families, claimed lives, and ravaged communities across the Nation—and the COVID-19 pandemic has only deepened this crisis. That is why the Budget includes a historic investment of \$10.7 billion in discretionary funding in HHS, an increase of \$3.9 billion over the 2021 enacted level, to support research, prevention, treatment, and recovery support services, with targeted investments to support populations with unique needs, including Native Americans, older Americans, and rural populations. The Budget also includes \$621 million specific to the Department of Veterans Affairs' (VA's) Opioid

Prevention and Treatment programs, including programs in support of the Jason Simcakoski Memorial and Promise Act.

**Combats the Gun Violence Public Health Epidemic.** The Budget includes \$2.1 billion, an increase of \$232 million above the 2021 enacted level, for DOJ to address the gun violence public health crisis plaguing communities across the Nation. Investments include \$401 million in State and local grants, an increase of \$162 million or 68 percent. This level supports existing programs to improve background check systems, and invests in new programs to incentivize State adoption of gun licensing laws and establish voluntary gun buyback pilot programs. In addition, a total of \$1.6 billion is provided to the Bureau of Alcohol, Tobacco, Firearms, and Explosives, an increase of \$70 million or five percent over the 2021 enacted level, to oversee the safe sale, storage, and ownership of firearms and to support the Agency's other work to fight violent crime. The Budget request for HHS doubles funding for firearm violence prevention research at CDC and NIH. Combined, the Budget includes \$200 million in discretionary resources for DOJ and HHS to support a new Community Violence Intervention initiative to implement evidence-based community violence interventions locally, which may include hospital-based interventions. In addition to these amounts, the Budget supports the American Jobs Plan proposal for \$5 billion in total mandatory resources from 2023 to 2029 to provide long-term support for the Community Violence Intervention initiative.

**Commits to Ending the HIV/AIDS Epidemic.** To help accelerate and strengthen efforts to end the HIV/AIDS epidemic in the United States, the Budget includes \$670 million within HHS to help aggressively reduce new HIV cases while increasing access to treatment, expanding the use of pre-exposure prophylaxis, also known as PrEP, and ensuring equitable access to services and supports.

## TACKLING THE CLIMATE CRISIS

Climate change is one of the greatest challenges of our time. It is also an opportunity to create new industries and good-paying jobs with a free and fair choice to join a union, revitalize America's energy communities and the economy, and position America as the world's clean energy superpower. In addition to the American Jobs Plan, the Budget includes more than \$36 billion of investments to combat climate change—an increase of more than \$14 billion compared to 2021—by investing in resilience and clean energy, enhancing U.S. competitiveness, and putting America on a path to achieve net-zero emissions no later than 2050—all while supporting communities that have been left behind and ensuring that 40 percent of the benefits from tackling the climate crisis are targeted toward addressing the disproportionately high cumulative impacts on disadvantaged communities.

### ***Building Clean Energy Projects and Investing in Resilience***

**Improves Energy Efficiency, Safety, and Resilience of Low-Income Homes and Public Buildings.** The Budget invests \$1.7 billion in energy saving retrofits to homes, schools, and Federal buildings. This investment includes \$800 million in new investments across HUD programs for rehabilitation and modernization to further climate resilience and energy efficiency, which would lower the costs and improve the quality of public and HUD-assisted housing, and \$400 million at DOE for the weatherization of low-income homes.

**Creates Good-Paying Jobs Building Clean Energy Projects.** Transforming the U.S. electricity sector—and electrifying an increasing share of the economy—represents one of the biggest job creation and economic opportunity engines of the 21<sup>st</sup> Century. That is why the Budget provides \$2 billion to put welders, electricians, and other skilled laborers to work building clean energy projects across the Nation. This investment supports a historic energy efficiency and clean electricity standard that would transform

the electric sector to be carbon-pollution free by 2035 while creating good-paying union jobs.

**Invests in Climate Resilience and Disaster Planning.** The Budget provides \$815 million—a \$540 million increase above the 2021 enacted level—to incorporate climate impacts into pre-disaster planning and projects to ensure that the Nation is rebuilding smarter and safer for the future. The Budget also provides more than \$1.2 billion above the 2021 enacted level to increase the resilience of ecosystems and communities across the Nation to wildfires, flooding, and drought, including an additional \$100 million for CDC's Climate and Health program. Consistent with the President's national conservation goal and the America the Beautiful initiative, the Budget also makes critical investments to help communities conserve important lands and waters, expand access to the outdoors for underserved communities, and deploy natural solutions to climate change.

**Helps Tribal Nations Address the Climate Crisis.** Tribal communities are particularly vulnerable to the impacts of climate change, which threatens their cultural and economic well-being. The Budget provides an increase of more than \$450 million to facilitate climate mitigation, resilience, adaptation, and environmental justice projects in Indian Country, including investment to begin the process of transitioning tribal colleges to renewable energy.

**Increases Demand for American Made, Zero-Emission Vehicles through Federal Procurement.** To provide an immediate, clear, and stable source of demand to help accelerate American industrial capacity to produce clean vehicles and components, the Budget includes \$600 million for electric vehicles and charging infrastructure in the individual budgets of 18 Federal agencies, including dedicated funds at the General Services Administration for other agencies and for the United States Postal Service charging infrastructure. This discretionary investment is one component of an overarching effort—combined with funding in the American



Jobs Plan—to leverage Federal procurement to create good-paying union jobs, and enable a clean transportation future.

### ***Helping Communities Left Behind***

**Makes the Largest Investment in Environmental Justice in History.** To support marginalized and overburdened communities across the Nation, the Budget invests more than \$1.4 billion, including \$936 million toward a new Accelerating Environmental and Economic Justice initiative at EPA. The initiative would create good-paying union jobs, clean up pollution, and secure environmental justice for communities that have been left behind. In order to hold polluters accountable, the initiative includes \$100 million to develop a new community air quality monitoring and notification program, which would provide real-time data in the places with the highest levels of exposure to pollution.

**Propels an Effort to Create 250,000 Jobs Remediating Abandoned Wells and Mines.** The Budget includes over \$580 million to remediate thousands of abandoned oil and gas wells and reclaim abandoned mines. This more than triples the current annual discretionary funding, building on the President’s commitment to create 250,000 good-paying union jobs for skilled technicians and operators in some of the hardest hit communities in the Nation, while cleaning up hazardous sites. In line with the stated goals of this Administration, the Budget more than doubles funding for the Economic Development Administration’s (EDA) Assistance to Coal Communities program. EDA’s efforts are part of the work of the new Interagency Working Group on Coal and Power Plant Communities and Economic Revitalization, and complement other targeted investments across the Federal Government to help spur economic revitalization, create jobs, and support workers in hard-hit coal, oil and gas, and power plant communities.

**Creates Jobs Improving Critical Water Infrastructure.** Clean, safe drinking water should be a right in all communities—rural and urban, rich and poor. That is why the American

Jobs Plan would replace every lead service line in America. The Budget also includes significant funding—\$3.6 billion—that could be used to advance water infrastructure improvement efforts for community water systems, schools, and households. These water infrastructure improvement efforts include repairing up to 180,000 septic systems, as well as broader efforts to improve drinking water and waste water infrastructure, while creating good-paying construction jobs that pay at least the prevailing wage across the Nation and in tribal communities.

**Partners with Rural America to Grow Rural Economies and Tackle Rural Poverty.** The Budget includes a number of proposals to invest in and create opportunities for rural Americans. This includes more than \$300 million in new investments in the next generation of agriculture and conservation, including support for voluntary private lands conservation as part of the America the Beautiful initiative, renewable energy grants and loans, and the creation of a Civilian Climate Corps to create a new pathway to good-paying jobs in rural America. The Budget also supports \$6.5 billion in lending to support additional clean energy, energy storage, and transmission projects in rural communities.

### ***Increasing Competitiveness through Investments in Innovation and Science***

**Advances Climate Science and Sustainability Research.** The Budget proposes over \$4 billion to fund a broad portfolio of research across multiple agencies including the Department of the Interior, NASA, NSF, and others to improve understanding of the changing climate and inform adaptation and resilience measures.

**Spurs Innovation in Clean Energy Technologies.** The Budget invests more than \$10 billion—a nearly 30-percent increase over 2021—in clean energy innovation across non-defense agencies. These investments would help transform the Nation’s electric, transportation, buildings, and industrial sectors to achieve a net-zero carbon economy by 2050.

**Drives Breakthrough Solutions in Climate Innovation.** The Budget includes a total of \$1 billion to create a new Advanced Research Projects Agency for Climate and invests in the existing Advanced Research Projects Agency-Energy. Together, these initiatives would support high-risk, high-reward solutions for adaptation, mitigation, and resilience against the climate crisis and enable robust investments in clean energy technology R&D.

**Expands Observations, Research, and Climate Services.** The Budget includes \$7 billion for the National Oceanic and Atmospheric Administration (NOAA), an increase of \$1.5 billion from the 2021 enacted level. These additional funds would allow NOAA to: expand its climate observation and forecasting work and provide better data and information to decisionmakers; support coastal resilience programs that would help protect communities from the economic and environmental impacts of climate change; and

invest in modern infrastructure to enable these critical efforts.

### ***Leading the World toward Achieving the Objectives of the Paris Agreement on Climate***

**Supports Global Emissions Reductions.** To accelerate progress toward the Paris Agreement targets, the Budget includes a \$1.2 billion contribution to the Green Climate Fund—the first American contribution since 2017—to help developing countries reduce emissions and adapt to climate change. The Budget also proposes \$485 million to support other multilateral climate initiatives, including \$100 million for international climate adaptation programs. The Budget provides approximately \$700 million for the Department of State and U.S. Agency for International Development to assist developing countries in adapting to climate disruptions, expanding clean energy production, and reducing landscape emissions.

## **CONFRONTING 21<sup>ST</sup> CENTURY SECURITY CHALLENGES**

From the COVID-19 pandemic to climate change, from the growing ambitions of China to the many global threats to democracy, successfully addressing global challenges will require working alongside and in partnership with other nations. After years of neglect, the Budget makes critical investments in diplomacy and development that would restore the health and morale of the Nation's foreign policy institutions, as well as America's relationships with key partners and allies. Diplomacy would once again be a centerpiece of American foreign policy, and America would once again be a leader on the world stage.

**Renews American Leadership and Mobilizes Global Action.** The Budget proposes re-investing in the Nation's diplomatic corps and providing funding to support U.S. commitments to the World Health Organization, the United Nations (UN) Population Fund, and the UN High Commissioner for Human Rights, while continuing to press for needed reforms. The Budget also

provides \$1 billion in foreign assistance to bring an end to the COVID-19 pandemic and expand global health security activities, including to establish Global Health Security Agenda capacity-building programs in additional nations and increase investments in crosscutting research and viral discovery programs to detect and stamp out future infectious disease outbreaks. These funds would also support a new health security financing mechanism, developed alongside U.S. partners and allies, to ensure global readiness to respond to the next outbreak. In addition, recognizing that no single nation can meet the challenge of climate change alone, the Budget provides \$2.5 billion for international climate programs to help rally the world against this urgent threat, restore U.S. leadership, and catalyze new climate pledges.

**Counters 21<sup>st</sup> Century Challenges and Threats.** The Budget prioritizes the need to counter the threat from China while also deterring destabilizing behavior by Russia. Leveraging the

Pacific Deterrence Initiative and working together with allies and partners in the Indo-Pacific region and the North Atlantic Treaty Organization, DOD would ensure that the United States builds the concepts, capabilities, and posture necessary to meet these challenges. To ensure the United States plays a lead role in defending democracy, freedom, and the rule of law, the Budget also includes a significant increase in resources to: strengthen and defend democracies throughout the world; advance human rights; fight corruption; and counter authoritarianism. In addition, to support agencies as they modernize, strengthen, and secure antiquated information systems and bolster Federal cybersecurity, the Budget provides \$500 million for the Technology Modernization Fund, an additional \$110 million for the Cybersecurity and Infrastructure Security Agency, and \$750 million in additional investments tailored to respond to lessons learned from the SolarWinds incident.

**Strengthens the Nation's Immigration and Asylum Systems.** The Budget proposes resources to implement a fair, orderly, and humane immigration system. This includes resources necessary to fulfill the President's commitment to rebuild the Nation's badly damaged refugee admissions program and support up to 125,000 admissions in 2022. In addition, the Budget provides over \$10 billion in humanitarian assistance to support vulnerable people abroad, including refugees and conflict victims. The Budget also

includes resources to address the naturalization and asylum backlogs, support non-profit legal service providers to help vulnerable populations, and fund non-profit case management programs. The Budget would also revitalize U.S. leadership in Central America as part of a comprehensive strategy to address the root causes of irregular migration from Central America to the United States, providing \$861 million in assistance to the region. These specific investments complement the President's legislative efforts to provide a path to citizenship for undocumented immigrants and implement an immigration system that welcomes all communities

**Upholds the Nation's Sacred Obligation to America's Veterans.** Building on significant investments included in the American Rescue Plan, the Budget proposes \$97.5 billion to improve access to VA healthcare, an increase of \$3.3 billion above the 2022 enacted advance appropriations level, including increases in funding for women's health, mental health, suicide prevention, and veterans' homeless programs. The Budget also proposes \$882 million for medical and prosthetic research—including the largest increase in recent history—to advance VA's understanding of traumatic brain injury, the effects of toxic exposure on long-term health outcomes, and the needs of disabled veterans. In addition, the Budget includes \$394 million to ensure veterans and their families have access to world-class memorial benefits.

## THE PRESIDENT'S HEALTHCARE AGENDA TO LOWER COSTS AND EXPAND AND IMPROVE COVERAGE

The Patient Protection and Affordable Care Act (ACA) made historic progress in expanding and improving health coverage and lowering health costs. The American Rescue Plan built on that progress with the most substantial improvement in healthcare affordability since 2010. For people who obtain coverage through the ACA marketplaces, the American Rescue Plan increased premium tax credits—and extended them to families with incomes above 400 percent of the Federal

poverty level—for two years. These improvements are lowering premiums for more than nine million current enrollees by an average of \$50 per person per month, and would enable millions of uninsured people to gain coverage.

The American Rescue Plan was only a first step to lowering costs and expanding coverage. Building on that progress, the American Jobs Plan invests \$400 billion in strengthening

home- and community-based services for older people and people with disabilities and strengthening the workforce that provides this vital care. The American Families Plan makes permanent the American Rescue Plan's expansion of premium tax credits and makes a historic investment to improve maternal health and mortality.

Beyond these steps, the President also calls on the Congress to take action this year to reduce prescription drug costs and to further expand and improve health coverage. The President's healthcare agenda in these areas includes the following additional policies:

**Lowering the Costs of Prescription Drugs.** The President supports reforms that would bring down drug prices by letting Medicare negotiate payment for certain high-cost drugs and requiring manufacturers to pay rebates when drug prices rise faster than inflation. These reforms would lower drug costs and save money for Medicare beneficiaries and people with job-based insurance. The reforms could also yield over half a trillion in Federal savings over 10 years, which could help pay for coverage expansions and improvements.

**Improving Medicare, Medicaid, and ACA Coverage.** Medicare, Medicaid, and the ACA marketplaces provide critical coverage to tens of millions of Americans, but should be strengthened through measures like improving access to dental, hearing, and vision coverage in Medicare, making it easier for eligible people to get and stay covered in Medicaid, and reducing deductibles

for marketplace plans. The President also supports eliminating Medicaid funding caps for Puerto Rico and other Territories while aligning their matching rate with States (and moving toward parity for other critical Federal programs including Supplemental Security Income and the Supplemental Nutrition Assistance Program). Further, evidence shows that we can reform Medicare payments to insurers and certain providers to reduce overpayments and strengthen incentives to deliver value-based care, extending the life of the Medicare Trust Fund, lowering premiums for beneficiaries, and reducing Federal costs.

**Creating Additional Public Coverage Options.** The President supports providing Americans with additional, lower-cost coverage choices by: creating a public option that would be available through the ACA marketplaces; and giving people age 60 and older the option to enroll in the Medicare program with the same premiums and benefits as current beneficiaries, but with financing separate from the Medicare Trust Fund. In States that have not expanded Medicaid, the President has proposed extending coverage to millions of people by providing premium-free, Medicaid-like coverage through a Federal public option, paired with financial incentives to ensure States maintain their existing expansions.

Healthcare is a right, not a privilege. Families need the financial security and peace of mind that comes with quality, affordable health coverage. In collaboration with the Congress, the President's healthcare agenda would achieve this promise.



## THE IMPACT OF THE PRESIDENT'S POLICIES ON THE NATION'S ECONOMIC AND BUDGET OUTLOOK

The Budget makes the investments needed for economic growth and shared prosperity, while also putting the Nation on a sound fiscal course.

### ***Generating Economic Growth and Shared Prosperity***

The Budget makes historic investments that would increase economic prosperity over the coming decade and beyond by increasing American productivity and the number of good-paying American jobs. The President's investments are targeted to the everyday Americans who drive the economy forward. The Budget reflects the basic understanding that workers and families all over the Nation are the engines of America's prosperity and including more people in that prosperity is how the Nation thrives.

The Budget's investments in infrastructure, research, and other areas would make American businesses and workers more productive, and more productive businesses would increase hiring and pay higher wages. Rebuilding the Nation's infrastructure would bridge income and racial gaps in transportation and housing opportunities, create good union jobs, and enable businesses to deliver goods and services more affordably and operate anywhere, including in rural areas that currently lack broadband. Investments in R&D would ensure that the technologies of the future would be created in America by American businesses with American workers. Investments in manufacturing supply chains would make it more profitable to produce critical goods here at home and put more Americans to work in good jobs. In addition, investments to reverse climate change and develop climate resilience would drive technology growth, create millions of well-paying jobs with a free and fair choice to join a union, and mitigate the risk of electricity blackouts and other environmental disasters that disrupt work and cause enormous economic damage.

In addition to raising workers' wages, the Budget makes critical investments that would

increase the total number of American jobs and ensure more of them are good-quality union jobs. A generational investment in America's caregiving infrastructure would enable millions of Americans—disproportionately women—to succeed in the workforce and receive the better pay they deserve as they raise children or care for ailing parents. Long overdue paid family and medical leave would ensure that no American worker is one pregnancy or illness away from losing their paycheck and reduce racial disparities in paid leave. Expanding the Earned Income Tax Credit would make it possible for more people to join and remain in the workforce. Health investments—from providing clean water to upgrading the public health system to expanding health insurance tax credits so that millions of people gain coverage and access to care—would lower mortality and disability and enable more Americans to work long healthy fulfilling careers.

The Budget also makes historic investments in children that would improve their health and well-being in the near term while contributing to economic growth and shared prosperity in the long term. Universal preschool, child nutrition expansions, and tax cuts that lift millions of families with children out of poverty would ensure that all children—not only those from privileged backgrounds or advantaged communities—are set up for success in school and beyond. Historic investments in Title I school funding would help millions of children in low-income families to compete through high school and beyond. Free community college and Pell Grants, along with investments in registered apprenticeships, other labor-management training programs, and other workforce training investments in the American Jobs Plan, would give students the support to build skills directly applicable to good-paying jobs. A large and growing body of research shows that these and similar investments not only yield immediate benefits for children and their families but also improve children's health and well-being and increase their earnings when they reach adulthood, strengthening America's future economy.

Overall, the Budget represents a comprehensive strategy to build an economy that works for everyone, not only the wealthy and well-connected. These investments would pay dividends for decades to come and would help build a high-skilled workforce, spur faster growth, and create more jobs, higher wages, more security, less poverty, less racial inequity, and broader prosperity.

### ***Putting the Nation on a Fiscally Responsible Path***

The Budget charts a fiscally responsible path for delivering a stronger, more prosperous economy. Under the Budget's proposals, the cost of Federal debt payments would remain well below historical levels throughout the coming decade. In response to the Nation's longer-term fiscal challenges, the Budget's proposals would reduce the deficit in later years.

Over the past several decades, interest rates have fallen, even as debt has risen. This has been a widespread, persistent, and global phenomenon, and it has meant that the burden associated with debt has decreased. Given these structural dynamics, the level of interest payments, rather than the size of the debt, is the most relevant benchmark for whether debt is burdening the economy.

Real interest—the Federal Government's annual interest payments after adjusting for inflation—directly measures the economic cost of the debt: the real resources that are going toward paying off old debt, instead of investing in the future.

Real interest has averaged about one percent of the economy since 1980 and was about two percent in the 1990s. Since then, the effective real interest rate on Federal debt has fallen 10-fold, from over 4 percent to 0.4 percent.

As a result, real interest has fallen. Strikingly, in 2021, real interest costs are expected to be negative, due to negative real interest rates. The Budget's economic forecast

anticipates that real interest rates would likely rise over the coming decade, using projections in line with private forecasters. Nonetheless, under the President's policies, including the American Jobs Plan and the American Families Plan, real interest would remain at or below 0.5 percent of the economy throughout the next 10 years, well below the historical average.

In the current economic environment, the Federal Government has the fiscal space to make critical investments to expand the productive capacity of the economy, while also keeping real interest cost burdens low by historical standards. In fact, failing to make investments now that support growth and shared prosperity would leave future generations worse off.

Over the long term, the United States does face fiscal challenges, driven principally by underlying demographic pressures on health and retirement programs and inadequate revenue levels. There is also uncertainty about the interest rate outlook. The Budget's proposals prudently address these future challenges by making sure that new proposals are not only fully offset, but reduce deficits in the long run and improve the long-term fiscal outlook.

The Budget achieves this through reforms to the tax system. The Budget provides reforms to the corporate tax code to incentivize job creation and investment in the United States, stop unfair and wasteful profit shifting to tax havens, ensure that large corporations are paying their fair share, and stop a race-to-the-bottom in corporate tax rates around the world. The Budget also proposes to revitalize tax enforcement to ensure that high-income Americans pay the tax they owe under the law—ending the unfair system of enforcement that collects almost all taxes due on wages, while regularly collecting a smaller share of business and capital income. The plan would eliminate long-standing loopholes, including lower taxes on capital gains and dividends for the wealthy, which reward wealth over work.

Over time, the savings from these reforms would exceed the cost of the investments, and by large and growing amounts. The American Jobs Plan and American Families Plan together are paid for over 15 years. The full set of proposals in the Budget reduce the annual deficit by the end of the 10-year budget window and every year thereafter. In the second decade, the Budget's proposals reduce deficits by over \$2 trillion.

A Budget that added to long-term deficits would worsen fiscal health, while a Budget that reduced deficits today by underinvesting in the American people would result in slower, more stratified growth that would cause more damage than one that invests appropriately. The Budget responsibly balances these needs and risks by charting an economically and fiscally sound course for the near term and the long term.